

Sanitized Copy Approved for Release 2011/08/24 : CIA-RDP87M00539R001301600018-9

D DOCUMENTS CROSS-REFERENCED
A ATTACHED:

ER 85-171/1-4

Sanitized Copy Approved for Release 2011/08/24 : CIA-RDP87M00539R001301600018-9

Central Intelligence Agency

UNCLASSIFIED

Executive Registry
85- 171/4

Washington, D.C. 20505

13 August 1985

The Honorable Alfonse M. D'Amato, Chairman
 Commission on Security and Cooperation in Europe
 Congress of the United States
 Washington, D. C. 20515

Dear Al,

I tried to get you on the phone to respond to your letter of August 9 about a CIA witness to testify at the August 15 hearing of the Commission on Security and Cooperation in Europe.

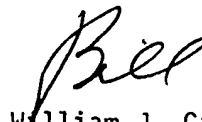
What I told Don Regan over a year ago still holds: we have been unable to pin down sufficient facts to make a solid case that any particular item received from the Soviet Union has been produced by convict, forced or indentured labor. According to our most recent analysis, three percent of total Soviet labor is forced.

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The evidence is just too sketchy to permit calculation of what proportion of Soviet production of particular items comes from forced labor. As I told Secretary Regan in 1984, with the ratio of forced labor to the total labor force at three percent, production by forced labor does not comprise a large share of overall output and our information from this and emigres is not specific enough to tie a large share to any specific product.

The role of CIA is to provide the information it is able to develop to policymakers and for them to use this information in the formulation of law and policy. Because of my reluctance to put CIA under pressure to prove something with sketchy evidence, and because I have a statutory obligation to protect our information sources from disclosure, I hope you will understand our inability to send a CIA analyst to the hearing in Buffalo.

Yours,



William J. Casey
 Director of Central Intelligence

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Orig - H/C via OLL
 1 - DCI
 1 - DDCI
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 1 - ER File
 1 - EXDIR

UNCLASSIFIED
 DCI
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STAT

13 Aug 85

TO: D/OLL

Thanks for the
quick response.

STAT

Action
OLL 85-2567

Office of Legislative Liaison
Routing Slip

TO:	ACTION	INFO
1. DD/OLL	<i>25</i> ✓	X
2. DD/OLL		X
3. Admin Officer		
4. Liaison		
5. Legislation		X
6. []		X
7. []		X
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SUSPENSE		
		13 August 85 Date

Action Officer:	[]
Remarks:	[]

[] 12 August 85
Name/Date

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ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Soviet Forced Labor

FROM:

SA/DCI

EXTENSION

NO.

DATE

13 August 1985

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DCI

13
Aug

Enclosed you will find the letter from D'Amato and the background material you requested at the staff meeting this morning

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EXECUTIVE SECRETARIAT
ROUTING SLIP

ER

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7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL	X			
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	NIO /ECON		X		
20	D/SOVA		X		
21					
22					
SUSPENSE		1200, 13 Aug 85 Date			

Remarks To # 14: Please provide Name(S) of witness.

STAT

Executive Secretary
12 Aug 85
Date

ALFONSE M. D'AMATO
CHAIRMAN

STENY H. HOYER
CO-CHAIRMAN

COMMISSION ON
SECURITY AND COOPERATION IN EUROPE
CONGRESS OF THE UNITED STATES
WASHINGTON, D.C. 20515

MICHAEL R. HATHAWAY
STAFF DIRECTOR
SAMUEL G. WISE
DEPUTY STAFF DIRECTOR
MARY SUE HAFNER
GENERAL COUNSEL

237 HOUSE OFFICE BUILDING, ANNEX 2

(202) 225-1901

August 9, 1985

Executive Registry	
85-	171/3

The Honorable William J. Casey
Director of Central Intelligence
Central Intelligence Agency
Washington, D.C. 20505

Dear Bill:

The Commission on Security and Cooperation in Europe, of which I am Chairman, will hold a hearing on August 15, 1985, in Buffalo, New York, on the subject of forced labor in the Soviet Union. In view of the role the CIA has played in the discussions concerning enforcement of 19 U.S.C. 1307, I ask that the CIA provide a witness to testify at this hearing.

The hearing will be held in Room 911 of the Federal Building, 111 West Huron Street, Buffalo, NY, and will begin at 10:30 am. I have also asked the Commissioner of Customs, William von Raab, and Assistant Secretary of the Treasury John Walker to appear as Administration witnesses.

As the CIA's Directorate of Intelligence produced the September 27, 1983 list of Soviet products made using slave labor which formed the basis of Custom's attempt to enforce 19 U.S.C. 1307, and as your letter of May 16, 1984 formed the foundation of Secretary Regan's January 28, 1985 final decision against Commissioner von Raab's recommendation to exclude certain classes of Soviet-made goods, I believe it is essential that an Agency witness be present to present and support your views. I believe either your Deputy Director of Intelligence or your senior Soviet analyst would be appropriate as a witness.

I look forward to hearing from you soon regarding my request.

Sincerely,



Alfonse D'Amato
Chairman

AD:mhh

146

EXECUTIVE SECRETARIAT
ROUTING SLIP

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8	DDS&T				
9	Chm/NIC		X		
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11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
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19	NIO /ECON		X		
20	D/SOVA		X		
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SUSPENSE		Date			

Remarks To All: The attached correspondence, which was made available to OGC, is provided FYI. Recall that on 17 Jan 85 the DCI provided Sec Treas a ltr noting we had insufficient evidence for good case we receive any goods from USSR produced by forced labor (this in wake of ITC report on subject).

Executive Secretary

19 Mar 85

Date

3637 (10-81)

STAT



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Event Registry

85-

171/2

ASSISTANT SECRETARY

FEB 28 1985

Dear Mr. McKinney:

This is in response to the May 23, 1984, petition of the Washington Legal Foundation to which you added your signature. That petition, which was addressed to the Commissioner of Customs, seeks a prohibition on importation of certain Soviet-made goods under section 307 of the Tariff Act of 1930 (19 U.S.C. 1307).

In my letter of June 13, 1984, I advised you that Commissioner von Raab had forwarded his proposed preliminary finding in this matter to the Treasury Department for approval because of the substantial foreign policy implications of implementing immediately a preliminary finding. The effect of Commissioner von Raab's action was to telescope a two-step process into a single step in which the Secretary would determine whether there is sufficient evidence to warrant a prohibition on the entry of certain goods as required by section 307.

As I stated in that letter, Secretary Regan found in May, 1984, that the evidence then available to him did not support a determination that specific goods were produced with forced labor. He therefore declined to make a final determination with respect to the Commissioner's recommendation until after completion of the inquiry by the International Trade Commission into forced labor practices. It was our hope that the ITC's inquiry might provide additional information which would contribute to our making a final determination, based on fact.

The International Trade Commission report, "International Practices and Agreements Concerning Compulsory Labor and U.S. Imports of Goods Manufactured by Convict, Forced or Indentured Labor," was released on December 18, 1984. We have reviewed that report thoroughly, and find that it contributed no additional probative information on the question of whether specific Soviet-made goods are being imported into the United States in violation of 19 U.S.C. 1307. In fact, the report discredits the already meager evidence about two of the products identified in the recommendation of Commissioner von Raab. I must also note that the ITC has expressly cautioned that its report is not intended for use as evidence in any administrative proceeding.

In addition, we requested the Central Intelligence Agency to evaluate any information which may have become available subsequent to Director Casey's May 16, 1984, letter to Secretary Regan on goods produced with forced labor in the Soviet Union. Director Casey responded to that request in a letter dated



C-140

- 2 -

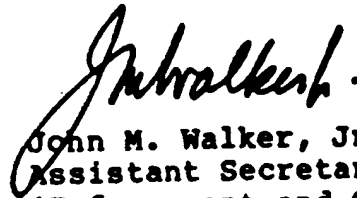
January 17, 1985. In that letter, Director Casey confirmed that the CIA has continued to monitor information on Soviet forced labor practices and that it still is not able to make a "solid case" that any specific forced labor goods are imported into the United States.

Based upon the May 16, 1984, and January 17, 1985, letters of Director Casey and upon the failure of the ITC report to offer additional probative evidence, then-Secretary of the Treasury Donald T. Regan determined that the available evidence provides no reasonable basis in fact to establish a nexus between Soviet forced labor practices and specific imports from the Soviet Union and, therefore, that there presently is no basis upon which to prohibit or withhold from importation into the United States any goods produced within the Soviet Union. Consequently, by memorandum of January 28, 1985, Secretary Regan informed Commissioner von Raab that his recommendation for import prohibitions under section 307 was not adopted.

While we share in your condemnation of the use of forced labor by the Soviet Union, that does not permit the Treasury Department to take enforcement actions that have no basis in fact. If Treasury had found clear, substantive evidence that specific products of slave labor are actually being imported into the United States, we would have had a sound legal basis for enforcing import prohibitions. However, that has not been the case here. This is simply a situation in which we do not have sufficient evidence that the United States is importing the products of slave labor.

In view of Secretary Regan's decision following his review of the evidence available to the Treasury Department, we must respectfully deny your petition. For your information, I have enclosed a copy of Secretary Regan's January 28, 1985, memorandum to the Commissioner of Customs.

Sincerely,



John M. Walker, Jr.
Assistant Secretary
(Enforcement and Operations)

The Honorable
Stewart McKinney
U.S. House of Representatives
Washington, D.C. 20515

Enclosure

cc: All Petitioners



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

January 28, 1985

MEMORANDUM FOR WILLIAM VON RAAB
COMMISSIONER
U.S. CUSTOMS SERVICE

THRU: ASSISTANT SECRETARY WALKER *Jnhf.*
SUBJECT: Merchandise from the Soviet Union Which May
be Produced by Convict, Forced, or Indentured
Labor

On September 28, 1983, you recommended to me that a finding be published pursuant to section 12.42, Customs Regulations, to the effect that certain classes of merchandise from the Soviet Union which are produced by convict, forced, or indentured labor, either are being, or are likely to be, imported into the United States in violation of section 307, Tariff Act of 1930 (19 U.S.C. 1307). The categories of products covered by your original proposal were modified by your memorandum of December 2, 1983.

As you will recall, on May 16, 1984, I informed you that the evidence then available did not warrant a decision at that time to withhold any Soviet products from importation. My decision was based upon careful consideration of the available evidence and, in particular, the views of the Director of Central Intelligence on that information, which had been provided by the Central Intelligence Agency. In deferring a determination, I specifically chose to wait until the completion of the International Trade Commission's review of forced labor practices throughout the world.

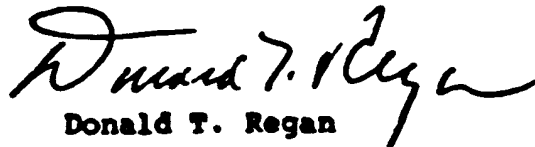
The International Trade Commission issued its report on forced labor practices on December 18, 1984. After thorough examination of the report, I have concluded that it provides no additional evidence which might support a decision to prohibit the importation of any Soviet-produced goods into the United States. Indeed, the report further discredits the already meager evidence about two of the products identified in your recommendation. Furthermore, the ITC has expressly cautioned that its report is not intended for use as evidence in any administrative proceeding.

- 2 -

I have also received another letter from the Director of Central Intelligence which updates the CIA's views as originally expressed in May, 1984. This latest letter, a copy of which is attached, confirms that the CIA has continued to monitor information on Soviet forced labor practices and that the CIA still is not able to make a "solid case" that any specific forced labor goods are imported into the United States.

In light of the report of the International Trade Commission and the current views of the Central Intelligence Agency, I find that the available evidence provides no reasonable basis in fact to establish a nexus between Soviet forced labor practices, and specific imports from the Soviet Union. Consequently, based upon the evidence currently available to me, I have decided that there presently is no basis upon which to prohibit or withhold from importation into the United States any goods produced within the Soviet Union. Accordingly, your recommendation of September 28, 1983, is not adopted.

While this is a final decision with respect to your recommendation and the evidence currently available, it does not preclude the introduction at a later date of new evidence about the possible importation of Soviet products made by convict, forced, or indentured labor.


Donald T. Regan

The Director of Central Intelligence

Washington, D.C. 20505

17 January 1985

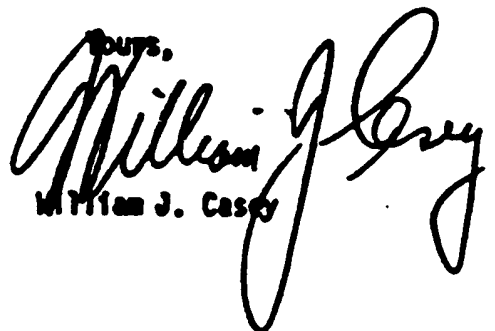
The Honorable Donald T. Regan
Secretary of the Treasury
Washington, D.C. 20220

Dear Don,

In the wake of the release of the ITC report on the use of forced labor in foreign countries to produce goods for export, I thought I should write you to update the status of our research on this issue. Despite continued monitoring, we are unable to obtain sufficient facts to make a solid case that any particular good we receive from the USSR is produced by convict, forced, or indentured labor.

You will recall that on 16 May I sent you a letter which stated that according to our most recent analysis 3 percent of total Soviet labor is forced. That analysis remains valid, but I can find nothing in the ITC report that indicates the availability of more specific data.

Sincerely,


William J. Casey

The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry	
85-	171/1

17 JAN 1985

The Honorable Donald T. Regan
Secretary of the Treasury
Washington, D.C. 20220

Dear Don,

In the wake of the release of the ITC report on the use of forced labor in foreign countries to produce goods for export, I thought I should write you to update the status of our research on this issue. Despite continued monitoring, we are unable to obtain sufficient facts to make a solid case that any particular good we receive from the USSR is produced by convict, forced, or indentured labor.

You will recall that on 16 May I sent you a letter which stated that according to our most recent analysis 3 percent of total Soviet labor is forced. That analysis remains valid, but I can find nothing in the ITC report that indicates the availability of more specific data.

Yours,

/s/ William J. Casey

William J. Casey



~~SECRET~~
The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council


NIC #00084-85/1
16 January 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: David B. Low
Acting NIO for Economics

SUBJECT: Forced Labor in the Soviet Union

Bob McBrien, Special Assistant to the Assistant Secretary for Enforcement and Operations at Treasury, called to ask that we make available an unclassified version of your letter to Secretary Regan on the use of forced labor in the Soviet Union. McBrien said Secretary Regan would like to use the letter to buttress Treasury's case in discussions with members of Congress against taking action on Soviet exports to the United States. An unclassified version of your letter on the same subject to Secretary Regan on 14 May was sent to Treasury on 16 May.


David B. Low

Attachments:

1. Letter to Regan for DCI signature (UNCLASSIFIED)
2. A/NIO/Econ memo to DCI dtd 7 Jan 85
3. DCI letter to Regan dtd 11 Jan 85 (SECRET)
4. DCI letter to Regan dtd 14 May 84 (SECRET)
5. DCI letter to Regan dtd 16 May 84 (UNCLASSIFIED)



~~SECRET~~



25X1
25X1

SECRET

NIC #00084-85/1
16 January 1985

SUBJECT: Forced Labor in the Soviet Union

DCI/NIC/A/NIO/Econ:

25X1

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1 - D. Low
2 - Asst NIO/Econ

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SECRET

~~SECRET~~

The Director of Central Intelligence
Washington, D.C. 20505

NIC #00084-85
7 January 1985

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council

FROM: David B. Low
Acting NIO for Economics

SUBJECT: Forced Labor in the Soviet Union

1. Bob McBrien, Special Assistant to John Walker, Assistant Secretary for Enforcement and Operations at Treasury, called Deane Hoffmann to request that we review the bidding on our analysis of the use of forced labor to produce goods imported by us from the Soviet Union. The International Trade Commission last month issued a report on the matter which gave estimates of possible items produced by forced labor in the USSR. SOVA analysts have reviewed the report and say that it buttresses the Treasury case that the government lacks sufficient detail on the production of such goods to take action.

2. Walker would like a letter from you to Secretary Regan reaffirming your 14 May letter which states that the evidence is too fragmentary to make a case.



David B. Low

Attachments:

Letter to Secretary Regan
Letter to McNamar from DCI dtd 14 May 84

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SECRET

NIC #00084-85
7 January 1985

SUBJECT: Forced Labor in the Soviet Union

DCI/NIC/A/NIO/Econ: [REDACTED] (7 Jan 85)

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1 - DCI/SA/IA
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1 - C/NIC
1 - VC/NIC
1 - DDI Reg
1 - D/SOVA
1 - [REDACTED] SOVA
1 - D. Low
2 - Asst NIO/Econ
1 - ExDir

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SECRET

~~SECRET~~

The Director of Central Intelligence

Washington, D.C. 20505

ER 85-171

11 JAN 1985

The Honorable Donald T. Regan
Secretary of the Treasury
Washington, D.C. 20220

Dear Don,

In the wake of the release of the ITC report on the use of forced labor in foreign countries to produce goods for export, I thought I should write you to update the status of our research on this issue. Despite continued monitoring, we are unable to obtain sufficient facts to make a solid case that any particular good we receive from the USSR is produced by convict, forced, or indentured labor.

You will recall that on 14 May I sent you a letter which stated that according to our most recent analysis 3 percent of total Soviet labor is forced. That analysis remains valid, but I can find nothing in the ITC report that indicates the availability of more specific data. The data in that report attributed to the Department of State were, in fact, supplied by us.

Yours,

/s/ Bill

William J. Casey



~~SECRET~~

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DIRECTOR OF CENTRAL INTELLIGENCE

16 May 1984

MEMORANDUM FOR: Secretary of State
SUBJECT: Soviet Forced Labor

The attached letter to the Secretary
of the Treasury is for your information.

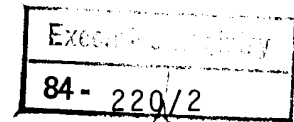
Bill
William J. Casey

Attachment



The Director of Central Intelligence

Washington, D.C. 20505



16 May 1984

The Honorable Donald T. Regan
 Secretary of the Treasury
 Washington, D. C. 20220

Dear Don:

This letter is written in connection with your statutory responsibilities to prevent the entry into the United States of foreign goods which are produced by convict, forced or indentured labor. We have a good deal of information that the Soviet Union makes extensive use of such labor. We estimate that there are approximately 2 million forced laborers in camps. An additional 2 million or so forced laborers are not confined and are mostly involved in construction.

We have in the past at the request of the Commissioner of Customs furnished information concerning the production of goods with forced labor in the Soviet Union. Although there is convincing evidence that convict and forced labor is used extensively in the Soviet Union, it is fragmentary with respect to specific products. Our information does not enable us to estimate the proportion of total Soviet production of individual products which comes from forced labor. Nor is our information sufficiently precise to allow us to determine whether and to what extent the products of forced labor are exported to the United States.

I am also concerned that the need to make such evidence as we have publicly available, as would almost certainly be necessary for you to carry out your responsibilities, would endanger intelligence sources and methods.

Accordingly, I have to advise you that the Agency's information, while convincing as to the policy and practices of the Soviet Union with respect to forced labor, could not now be provided with sufficient precision to have probative value in a legal proceeding with respect to a particular product. You can be assured that we will continue our work in this area and will keep your Department currently advised if we are able to develop more satisfactory and precise evidence that might be helpful in preventing the entry into the United States of goods produced by convict, forced labor, or indentured labor.

Yours,

William J. Casey

DISTRIBUTION

WASHFAX - 1820 to Mr. McNamar
 Orig - AM, 17 May 84 to Addressee
 1 - DCI
 1 - DDCI
 1 - OGC
 1 - DDI
 1 - ER File

Copy also to Sec State

1 - EXDIR (Per ES, 17 May '84)



C-140

EXECUTIVE SECRETARIAT

ROUTING SLIP

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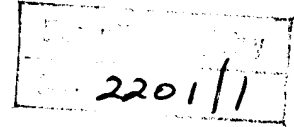
STAT

Executive Secretary

5/15/84

Date

3637 (10-81)



15 May 1984

MEMORANDUM FOR: Deputy Director for Intelligence
General Counsel
Director of Global Issues

FROM: Director of Central Intelligence

SUBJECT: Soviet Forced Labor

1. On the basis of this correspondence Regan has decided not to put out the proposed order on goods made with Soviet forced labor. He will defer it on the basis of the first paragraph of my letter. He wants me to declassify that which I think I can. Then Peter Wallison, General Counsel for Treasury, will get in touch with you and agree on the manner in which it can be used.

2. Stay in touch with Stan. If there is any problem with declassification or otherwise I will count on the three of you to get in touch with each other and let me know what the next step is.

William J. Casey

Attachments:
Letter dtd 14 May 1984 to Secretary Regan
w/attachments



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~~SECRET~~

~~SECRET~~
The Director of Central Intelligence

Washington, D.C. 20505

14 May 1984

2201

The Honorable Donald T. Regan
Secretary of the Treasury
Washington, D. C. 20220

Dear Don,

After our telephone conversation on Friday, I asked to see the evidence on the production and export of goods manufactured by convict, forced or indentured labor in the Soviet Union. As I suspected, the evidence is fragmentary and not very specific.

Also, on reflection I don't see that it does more than defer potential embarrassment from inadequate evidence for Treasury and Customs to prohibit importation and then to leave it up to the importers to certify that the item was not produced through the use of forced labor. I am also impressed by the State Department argument that to take this step now would be seen as a skimpy reaction to the Soviet Olympic decision.

I send along for your information two memoranda outlining the potential impact of this step on the CIA and the rest of the government. According to the State Department memorandum, the issuance of a preliminary finding would be based on a memorandum of 7 November 1983, sent by Maurice Ernst, National Intelligence Officer for Economics at CIA, to the Commissioner of Customs. That memorandum states that the evidence is too sketchy to permit calculation of what proportion of total Soviet production of the items listed is provided by forced laborers. It goes on to say that only 3 percent of the total Soviet labor is forced, so that it appears that only in rare instances does production by forced labor comprise a large share of total output of any given product. Also, 93 percent of the entries in the list refer to production before 1981, 5 percent do not give a date, and only 2 percent refer to production after 1980.

I don't want CIA to come under pressure to prove something with sketchy evidence or disclose our information sources, and I urge that all the implications of this step be carefully considered before moving on it.

Yours,



William J. Casey

Enclosures

P.S. I tried to get you on the phone today on this but couldn't reach you, so I asked Tim McNamar to add these further concerns since we talked on Friday.

~~SECRET~~

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